

Cigarettes are taxed in Illinois under the Cigarette Tax Act ("Act") at the rate of 29 mills per cigarette, or 58 cents per 20-count package, through a system utilizing stamps that are affixed to the cigarette package. See, 86 Ill. Adm. Code 440.20 (this is a GIL).

May 27, 1999

Dear Xxxxx:

This General Information Letter, issued pursuant to 2 Ill. Adm. Code 1200 (see enclosed), is in response to your facsimile dated January 15, 1999. Your facsimile was forwarded to this division for response. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120 (b) and (c).

In your letter you have stated and made inquiry as follows:

The facts involved with our client are as follows:

Companies A, B and C are affiliated entities. Company A operates a warehouse and distribution center outside of the state of Illinois. Company A sells cigarettes to Company C and is registered as a licensed wholesaler in Illinois. Company A is responsible for stamping all cigarettes that it sells to Company C.

Company C is a retail store in the state of Illinois. Currently, Company C buys the majority of its goods from Company A, however, Company C purchases certain goods directly from third party vendors. Company C is registered as a licensed retailer in Illinois.

Due to a business restructuring, the affiliated group has created a new company, Company B which operates outside of the state of Illinois. Company B will be interposed between Company A and C from a transaction perspective. Company B will purchase all of Company A's goods, including cigarettes, and sell them directly to Company C. Company B will direct Company A to drop-ship all of the goods directly to Company C. As a result of the drop-shipments the physical flow of goods will remain unchanged.

As a result of the intercompany relationships described above, what, if any, are Company B's filing requirements with respect to cigarette registrations?

Cigarettes are taxed in Illinois under the Cigarette Tax Act ("Act") at the rate of 29 mills per cigarette, or 58 cents per 20-count package, through a

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system utilizing stamps affixed to cigarette packages. Stamps are generally affixed to the packages by distributors, who add the amount of tax to the price charged to the retailer. The tax, which is imposed upon retailers of cigarettes, is collected from them by distributors, as that term is defined in the Act. Distributors are subject to a variety of reporting, payment and recordkeeping requirements under the Act.

Section 4b of the Act authorizes the Department to voluntarily register out-of-State sellers of cigarettes as distributors. Registration ensures that sales of cigarettes to Illinois retailers are properly accounted for and stamped. Persons voluntarily registering must comply with a variety of reporting, payment and recordkeeping requirements under the Act. Since Company B is making sales of cigarettes to an Illinois retailer, we urge it to register with the Department as a distributor.

I hope this information is helpful. If you have further questions, please feel free to contact the Department's Taxpayer Information Division at (217) 782-3336, or visit the Department's web cite at: <http://www.revenue.state.il.us>.

Very truly yours,

Jerilynn Gorden
Senior Counsel, Sales Tax

JT:jg

Enc.